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CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1942.

No. 184

HARVEY S. COVER,

Petitioner,

vs.

CHICAGO EYE SHIELD COMPANY, AN ILLINOIS
CORPORATION,

Respondent.

RESPONDENT'S REPLY TO PETITION FOR A WRIT OF
CERTIORARI.

FRANKLIN M. WARDEN,

Counsel for Respondent.

F. ALLAN MINNE,

Of Counsel.







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*To the Honorable the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Petitioner's statement is unnecessarily complicated and
in some respects incomplete.

Statement of the Case.

Four of the six patents upon which petitioner sued were held either invalid or not infringed. (Record on validity and infringement, Ex. 17, p. 445.) After the trial and appeal on the issues of validity and infringement steps were taken for the trial of the accounting. In June 1940, the Master entered an order directing respondent to file a statement of account (Accounting Record, Ex. 18, p. 5.) Pursuant to this order respondent filed its statement of account wherein it set forth the sums due petitioner (Ex. 18,

pp. 7-11). Petitioner filed no objections to the statement of account. On August 20, 1940, respondent served on petitioner an offer to have judgment entered against it in the amount of \$3,500.00, which offer of judgment (R. 3) is in the form prescribed by Rule 68 of the Rules of Civil Procedure. Petitioner did not accept the offer and on September 10, 1940, or twenty days after service of the offer of judgment, the trial on the accounting began before the Master (Ex. 18, p. 13). The Master found that petitioner was entitled to recover \$449.70 (Ex. 18, pp. 244, 245). The Master was affirmed by the Court of Appeals (C. C. A. opinion 130 F. (2d) 25). The Master further found that it was the duty of the Master to state the amount of the recovery on the basis of the statement filed by respondent (Ex. 18, p. 242). Thus, the Master found, in effect, that this petitioner should only recover what respondent conceded from the beginning of the accounting that it owed petitioner. The offer of judgment was not before the Master (under the provisions of Rule 68 it was not admissible in evidence).

Respondent claimed the right to recover its costs on the accounting accruing after its offer of judgment, the offer of judgment being for a much greater sum than the amount for which judgment was finally awarded.

On the appeal* from the judgment of the District Court on the accounting respondent stated to the Court of Appeals that it would not argue the question of costs on the accounting because the District Court had refused to permit respondent to include in the record its offer of judgment on the ground that Rule 68 provides that an offer of judgment is not admissible in evidence. The Court of Appeals held in its opinion on the appeal from the judg-

* There were three appeals—first, the appeal from the judgment of the District Court entered after the trial on validity and infringement (C. C. A. opinion 111 F. (2d) 854); second, the appeal from the judgment entered after the trial on the accounting (C. C. A. opinion 130 F. (2d) 25); and third, the appeal with respect to costs.

ment entered on the accounting that the Court understood that respondent had not waived its right to recover costs (opinion of C. C. A. 7, 130 F. (2d) 30).

Reasons Why the Petition Should Be Denied.

1. The Courts below have merely followed the provisions of Rule 68 in awarding costs in this case to respondent.
2. While the specific question raised is new because the rule is comparatively new, there is no ground for certiorari because (a) there is no conflict of decisions, (b) the lower Courts have not declared the rule invalid nor given an interpretation to it that is not plainly within its scope, and (c) the holding of the lower Courts does not raise a question of public importance.

Argument.

Petitioner proceeds on the theory that in a patent case there is only one trial and that Rule 68 contemplates that there is only one trial of a case, and that an offer of judgment must be made prior to that trial. This theory of petitioner is not in accordance with the Rules of Civil Procedure.

It is contemplated by the Rules of Civil Procedure that there might and often should be more than one trial in a case. Rule 42 (b) so provides:

"Separate Trials. The Court in furtherance of convenience * * * may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue, or of any number of claims, cross-claims, counterclaims, third-party claims or issues." (Italics ours.)

Not only is it contemplated that there may be separate trials of separate claims or issues, but it is also contem-

plated by the rules that there may be separate judgments with respect to separate claims or issues at various stages in the litigation. Rule 54 (b) states:

“Judgment at Various Stages. When more than one claim for relief is presented in an action, the court at any stage, upon a determination of the issues material to a particular claim * * * may enter a judgment disposing of such claim. * * *”

In a patent case plaintiff has two claims for relief. First, plaintiff claims relief by way of an injunction, and second, plaintiff claims relief by way of the recovery of profits or damages. These two claims are tried separately and separate judgments are entered with respect to each and separate appeals are taken with respect to the separate judgments. That practice was followed in this case. It has long been the established practice that there be separate judgments and separate trials of these two claims. The Court of Appeals in the instant case stated (R. p. 33):

“The issue as to the amount of damages recoverable, if any, is not before the court until there is a finding and judgment of validity and infringement. That issue is never permitted to be presented until after the matter of validity and infringement has been finally determined.”

In fact, the two claims of the plaintiff must be separately tried under the statute (35 U. S. C. A. 70), which provides:

“The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; *and upon a decree being rendered* in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, * * *.” (Emphasis ours.)

It is apparent from the statute that there can be no trial to determine profits and damages until after a decree or judgment has been rendered for infringement. There must then be a trial and judgment on the issues pertaining to profits and damages. On the first trial, to-wit, on the trial of the plaintiff's claim for an injunction, evidence is not admissible with respect to the amount or the extent of the damage.

F. F. Slocumb & Co., Inc. v. A. C. Layman Mach. Co. (Dist. Ct. D. Delaware), 201 Fed. 101, 103.
Keller v. Strauss et al., (S. D. N. Y.), 88 Fed. 517, 518.

Pyle Nat. Co. et al. v. Lewin (C. C. A. 7), 92 F. (2d) 628, 632.

Rule 68 applies to the trial of a claim irrespective of when that trial occurs in the litigation in relation to the trial of any other claim. The rule reads in part as follows:

"At any time more than 10 days before the trial begins, a party defending against a claim may serve upon the adverse party an offer to allow judgment to be taken against him for the money or property or to the effect specified in his offer, with costs then accrued." (Emphasis ours.)

The rule does not require that an offer of judgment with respect to a particular claim be made prior to the trial of any or all claims involved in the litigation. All the rule provides is that an offer of judgment with respect to a claim must be made ten days prior to the beginning of the trial of that claim. There is no question in this case but that respondent's offer of judgment was made more than ten days prior to the accounting trial which was for the purpose of determining plaintiff's claim for damages and profits.

Thus, the Courts below followed the plain language, spirit and intention of the rule. They have not given a peculiar or unnatural interpretation to the rule and there

is no reason why this Court should grant certiorari to consider a case in which the lower Courts have merely followed the provisions of the rules.

There is sound public policy supporting the decisions of the lower Courts. The purpose of Rule 68 was to induce the settlement of any claim involved in litigation. The rule contemplates that a party might be willing to offer judgment with respect to one of several claims involved in litigation but not with respect to the others.

It would indeed be contrary to public policy if the rule were so interpreted that in patent litigation a defendant, in order to take advantage of the rule, *must* make an offer of judgment with respect to all of the claims in the case prior to the trial of the issues of validity and infringement. In making such an offer the defending party would be required to concede the validity of the patents in the suit. The instant case is an excellent example. Several of the six patents with respect to which petitioner brought suit for infringement were invalid. Had respondent offered judgment confessing validity of these invalid patents it would have been to the detriment of the public. However, after a judgment is entered determining validity and infringement, it is to the interest of all concerned to settle without a trial the matter of dollars and cents which is still to be tried and with respect to which another judgment must be entered. Under the provisions of Rule 68 a defending party may offer to have judgment entered and settle a claim still to be tried.

Whether or not it would be proper to make an offer to enter judgment prior to the trial of the issues of validity and infringement confessing validity is *not* raised by the record in this case. Petitioner's argument with respect to this proposition is irrelevant.

Petitioner's argument that it could not know whether or not it should accept respondent's offer to have judg-

ment entered because it didn't know how many infringing devices respondent had made, etc., is wholly unjustifiable. First, under the provisions of Rule 68 the mere fact that the plaintiff may not know how much he will recover does not avoid the operation of the rule. In most cases the plaintiff can not know with certainty before a trial the amount of the judgment to be entered after a trial. Second, in view of the liberal rules of discovery and inspection, any plaintiff can quickly ascertain whether or not an offer is fair. Third, in the instant case petitioner is in no position to urge this proposition because petitioner's accountant and counsel, at the invitation of respondent, inspected respondent's books and records prior to the time that respondent's offer of judgment was served on petitioner (Ex. 118, pp. 77, 78).

There if No Conflict of Authorities.

There is no case cited by petitioner pertaining to the question involved in this case that is in conflict with the decision of the Court of Appeals for the Seventh Circuit. The only cases cited by petitioner are not pertinent, as pointed out by the Court of Appeals in its opinion.

In fact, prior to the passage of Rule 68 it has been the practice in cases of this kind, where on an accounting the plaintiff recovers no more than the defendant has set forth as being due in its statement of account, to award costs to the defendant because the plaintiff has unnecessarily caused the accounting litigation.

Dowagiac Mfg. Co. v. Minnesota Moline Plow Co., (C. C. A. 8), 183 Fed. 314, 318:

"Common practice in such cases seems to award the costs of the accounting against a complainant *who without legal cause necessitated them*. *Kirby v. Armstrong* (C. C.) 5 Fed. 801; *Ingersoll v. Musgrove*, 12

Blatchf. 541, Fed. Cas. No. 7,040; *Robbins v. Illinois Watch Co.* (C. C.), 78 Fed. 124; *Kansas City Hay Press Co. v. Devo*l (C. C.) 127 Fed. 363." (Emphasis ours.)

Conclusion.

Petitioner has set forth no proper grounds for the granting of the writ requested.

Respectfully submitted,

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F. ALLAN MINNE,
Of Counsel.

Dated: Chicago, Illinois,
August 18, 1943.

(13)
No. 184

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CHARLES ELMORE GORLEY
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IN THE

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vs.

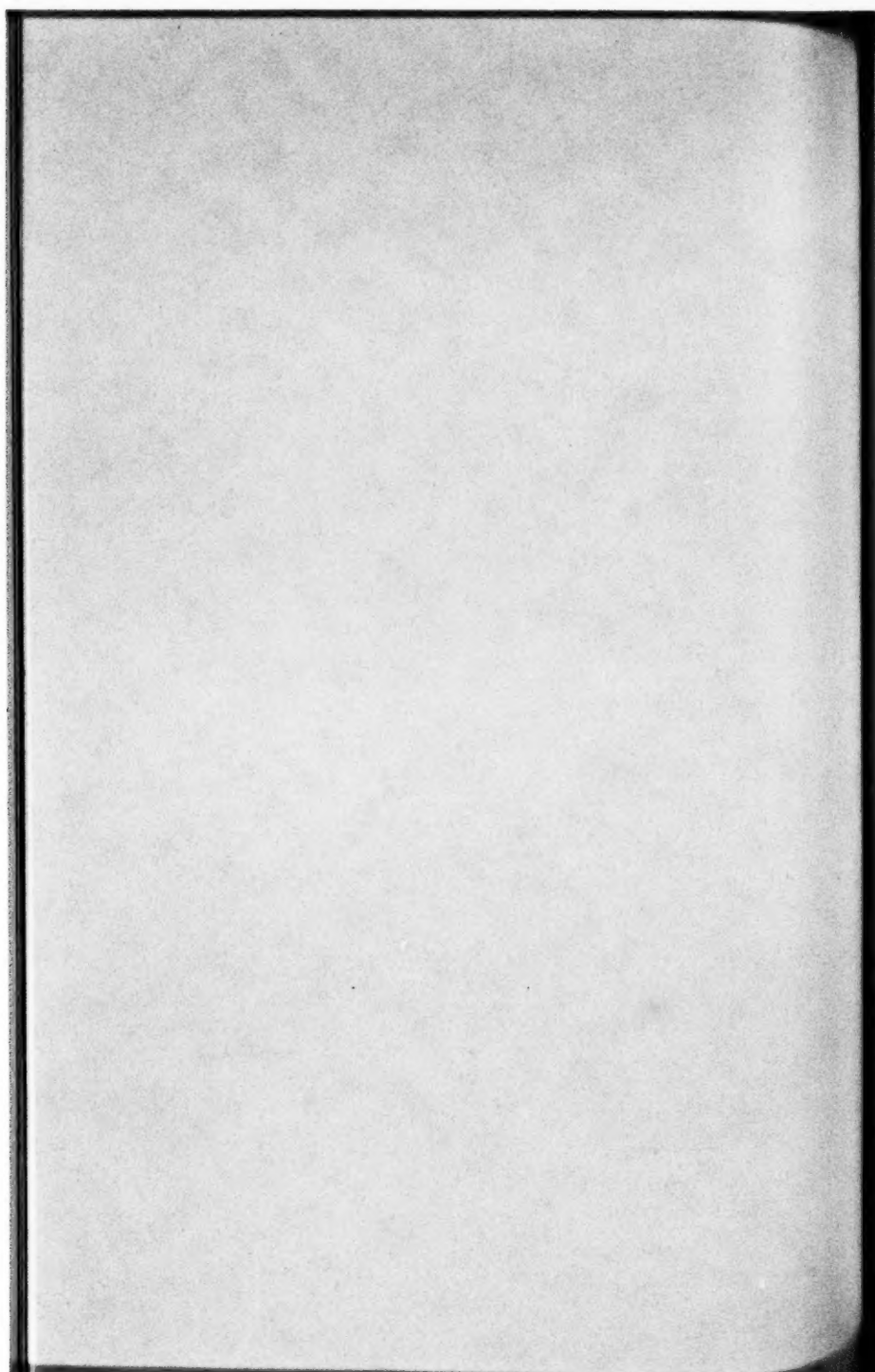
CHICAGO EYE SHIELD COMPANY,
an Illinois corporation,

Respondent.

**PETITIONER'S MEMORANDUM IN RESPONSE TO
RESPONDENT'S REPLY TO PETITION FOR
WRIT OF CERTIORARI.**

JOSHUA R. H. POTTS,
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ARGUMENT:

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- That the reasoning below is manifestly in error is shown by the fact that all questions are tried together in a case at law. In such a case, no offer of judgment could possibly be made under the reasoning below, since validity cannot be stipulated and the Clerk could not enter judgment when the offer of judgment was presented to him 1
- While the "Federal Rules of Civil Procedure contemplate that there may be several trials and several judgments in a case in respect of several claims, the rules do not contemplate that there shall be several trials and several judgments respecting one single claim 2
- While evidence of damages is not admissible on the trial of validity and infringement, in a majority of patent equity suits, for reasons of expediency, evidence of damages is always admissible on the trial of validity and infringement in patent law cases and frequently in patent equity cases, also. There is no rule against hearing all issues together 4
- Respondent has no right to ask for costs, except because of its offer of judgment. The Master and the District Court awarded costs to Petitioner, the prevailing party, and respondent assigned error, but did not argue costs in the

Circuit Court of Appeals, which affirmed the Master's report. The District Court on remand awarded costs to respondent "solely because of" its "offer of judgment". The Circuit Court of Appeals did not disturb the District Court's finding "which shall not be set aside unless clearly erroneous"	4
Respondent's interpretation is against public policy—it would delay the offer of judgment in every patent case and defeat "the just, speedy and inexpensive determination of every action"	5
Respondent conceded the public importance of the question in its brief below. The conflict with analagous applicable decisions has been pointed out heretofore	5
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*To the Honorable the Chief Justice of the United States and
Associated Justices of the Supreme Court of the United
States:*

Point I.

Respondent's Reply contends that in a patent case, the questions of validity and infringement are determined before the question of profits and damages is determined. This is true only in the majority of equity cases for rea-

sons or expedience and procedure. There is no rule requiring the questions to be determined separately even in equity cases, and they are tried together in many instances and final judgment entered at the same time. *Flat Slab Co. v. Turner*, 285 F. 257, 272; *Ward v. Paducah*, 46 F. 862; *Barrick v. Pratt*, 32 F. (2) 732; *McManus v. Sawyer*, 231 F. 231.

Even in an equity case, these questions are not tried *separately*. They are merely tried *piecemeal*. There is only one trial, even if the issues are tried piecemeal.

But in a "law" case all the questions are *always* tried at the same time, as illustrated by the recent case of *Benz v. Celeste*, 58 U. S. P. Q. 345, decided June 24, 1943, where the plaintiff sued at law before a jury, which held the patent valid and infringed, and at the same time awarded damages of \$11,135.28. In this case, the questions were not even tried piecemeal, but at the same time.

The *Benz* case highlights the error in the decision below. Under the reasoning below, it would have been *impossible* for the defendant in the *Benz* case to have made a valid offer of judgment because "the courts should never . . . adjudge validity upon stipulation" (Opinion of the Court below in the present case). The Court could not even file the entry of judgment until the questions of validity and infringement were decided because

"the rule does not permit this where both the offer and its acceptance must occur within 20 days and the Clerk enters the judgment without hearing by or submission to the Court." (Opinion of Court below in the present case.)

Thus, if the defendant had made an offer of judgment in

the *Benz* case, the Court could not give effect to the offer because validity "cannot be stipulated" and the Clerk could not enter judgment "thereupon". It is impossible, under the reasoning of the court below, for a defendant in a patent case at law or equity to make a valid offer of judgment. The consequence of the reasoning of the court below illustrates the unsoundness of the court's reasoning.

Rule 68 makes no exception of patent cases in the case of offers of judgment. Rule 68 provides:

" * * * At any time more than 10 days before trial begins, a party defending against a claim may serve upon the adverse party an offer to allow judgment to be taken against him for the money or property, or to the effect specified in his offer, with costs then accrued. * * *"

The Rule does not exclude patent cases at law or equity. Consequently, we have a rule stating that the offer of judgment may be made in any case, without exception, and we have the decision below, in effect, holding that an offer of judgment cannot be made in a patent law case, or in any patent case, since judgment cannot be entered "thereupon" upon the offer of judgment being made, because the judgment cannot be entered until the validity of the patent is determined on the trial.

We know of no law, rule, or reason, whereby the Federal Rules of Civil Procedure should not apply to patent cases as well as other cases. If the Rules are to be applied differently in patent cases from other classes of cases, then there might be a different construction of the Rules in each class of cases. This would lead to chaos.

Point II.

Respondent misstates our theory. We do not contend that there can be only one trial in a case. We admit that under Rule 42b there may be separate trials of *separate claims* or causes of action. Each patent involves a separate claim and may involve a separate trial. What we do claim is that there can be only one trial of a single claim, although that claim may be tried *piecemeal*. The questions of validity and infringement, of a particular patent, and the right to an accounting may be determined first, and the accounting may be heard later, but the trial of the separate questions on a single claim are all parts of a single trial and a valid offer of judgment must be made before the beginning of the single trial. The defendant cannot choose to delay the offer until 14 months after the trial begins.

There is no such thing as a claim for infringement and a separate claim for damages or profits resulting from the infringement. If a window is broken by a brick, there is only one claim showing that the plaintiff is entitled to relief and a demand for judgment for relief. The demand for relief is not a separate claim from the tort entitling the plaintiff to relief. The tort and the relief are all only parts of one single claim.

Rule 8 of the "Federal Rules of Civil Procedure" provides:

"* * * A pleading which sets forth a claim for relief * * * shall contain * * * a short and plain statement of the claim showing that the pleader is entitled to relief and (3) a demand for judgment for the relief to which he deems himself entitled. * * *"

There is no such thing as a claim for damages as distinguished from a claim for infringement. A claim consists of a showing that the pleader is entitled to relief,

to-wit: validity and infringement, and the demand for relief, to-wit: the profits, damages and an injunction.

The respondent contends that since some of the patents were held invalid, it would be against public policy to require it to make its offer of judgment before the trial of the issues of validity and the right to an accounting. But the respondent overlooks the fact that an offer of judgment is like an offer of compromise. The respondent's contention in substance is that Rule 68 is against public policy.

Point III.

The respondent contends "that the evidence with respect to the amount or extent of damages is not admissible at the trial of validity and infringement." This is not true, except in the majority of equity suits for reasons of expedience and procedure. It is never true, for example, in a patent *law* suit (*Benz v. Celeste*, 58 U. S. P. Q. 345).

Point IV.

Respondent contends that it is entitled to costs of the accounting even though its offer of judgment were not valid. This question is not involved. The Master and the District Court awarded costs to petitioner. Respondent assigned error on the costs to the Court of Appeals, but did not argue the question and the Circuit Court of Appeals affirmed the Master's report, awarding costs to the petitioner.

On remand, the District Court awarded costs to respondent "solely because of respondent's offer of judgment". This was a clear finding that petitioner was entitled to costs, excepting for the offer of judgment. This was only reasonable since the plaintiff recovered a substantial sum and was the prevailing party. The plaintiff

had to go to court to make this recovery. Rule 52 provides that "findings of fact shall not be set aside unless clearly erroneous." The Circuit Court of Appeals did not change this finding. The Circuit Court of Appeals recognized this finding that plaintiff was entitled to costs excepting for the offer of judgment and placed its decision squarely and only on the validity of the offer of judgment. The respondent is estopped and has no right to ask for costs except on the ground of its offer of judgment, which was more than a year after the trial. The only costs involved here are the costs of the accounting as the court allowed no costs on the trial of the issues of validity and infringement because all of the patents were not held valid. This was sustained by the Circuit Court of Appeals.

Point V.

Respondent states that there is no question of public importance involved—but, in respondent's brief before the Circuit Court of Appeals, respondent admitted the question was new and

"the question of law involved is of considerable importance in connection with patent litigation" (Respondent's Brief below, page 6).

Point VI.

Corrections of Statements of Fact in Respondents' Brief.

Respondent claims "it set forth the sums due petitioner" and "thus, the Master found, in effect, that this petitioner should only recover what respondent conceded from the beginning." This is not true. Any statement of sums that respondent made in its Statement of Account was conditioned and qualified on the showing of facts to be made by petitioner (Exhibit 18, A.R. 7, Paragraphs 10, 11 and 12).

It is not disputed that petitioner recovered *more* than any amount stated by respondent, in its Statement of Account. This is especially obvious since respondent did not state its cash sales, which later had to be and were proved (Ex. 18, p. 7).

Respondent claims petitioner inspected respondent's books and knew before the accounting how many infringing devices were made by respondent. But respondent kept no books to show sales of items and there could not have been any inspection (Ex. 18, p. 275, Respondent's Secretary Lieutaud).

CONCLUSION.

The effect of the decision of the Court below is that no valid offer of judgment may be made in a patent case, contrary to the express wording of Rule 68 and the public policy of construing the Rules to secure the "just, speedy and inexpensive determination of every action."

The consequence of the Court's decision makes it obviously erroneous.

The public importance of the case is conceded by respondent. We respectfully urge that the Supreme Court should review this case to prevent an erroneous precedent from becoming established.

Most respectfully submitted,

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